



City of Seattle

Gregory J. Nickels, Mayor

Seattle City Light

Jorge Carrasco, Superintendent

May 11, 2006

Ms Vickie VanZandt, Senior Vice President
Bonneville Power Administration, Transmission Business Line
P.O. Box 491 – T/Ditt2
Vancouver, WA 98666-0491

Seattle City Light Comments on BPA White Paper - "Challenge for the Northwest"

Dear Ms VanZandt:

Seattle City Light (City Light) is submitting these comments in response to the BPA white paper addressing transmission system congestion (Congestion White Paper).¹ In summary, City Light recognizes the imperative for operating the interconnected transmission within accepted limits, and like the Bonneville Power Administration ("BPA"), supports approaches that adhere to the principle of meeting reliability objectives at the lowest possible cost to consumers.

Interest of Seattle City Light

City Light provides retail electrical service to over 350,000 residential, commercial and industrial customers in the City of Seattle, Washington, with sales of approximately 9,700,000 MWh per year. City Light relies on hydroelectric resources for nearly 95% of energy delivered to load. Over 60% of its generating resources are not directly connected to the City Light transmission and distribution system and are delivered primarily by the BPA under BPA's Point-to-Point Open Access Transmission Tariff.

Currently, when the BPA transmission system is congested, City Light interchange schedules and wholesale power transactions are subject to curtailment. By opening up a customer discussion forum through publication of the Congestion White Paper, BPA has described specific problems associated with transmission congestion and proposed approaches to either reduce flows to relieve congestion or construct new facilities that would mitigate congestion.

¹ Bonneville Power Administration. "Challenge for the Northwest: Protecting and managing an increasingly congested transmission system." April 2006.

City Light therefore has a direct interest in the process and outcome of this forum and provides these comments for consideration.

Infrastructure, Reliability and Economics

The white paper suggests that the current state of the transmission infrastructure periodically leaves the transmission system vulnerable to operating states which do not meet established reliability criteria. Further, the frequency and economics of this problem appear to be poorly understood and a clear framework for economically managing congestion is absent. As a member of the Steering Committee, City Light is working with BPA to refine the principles stated on page 4. The phrase “at least cost to consumers” is included in the first and third principles. There is almost certainly widespread agreement in the region that BPA’s objectives must include compliance with reliability criteria and minimization of the cost to consumers. The combination of these principles and objectives leads to the conclusion that low-cost approaches that can be readily implemented are preferred over complex, high-cost approaches.

Some understanding of congestion costs and frequency is a prerequisite for designing an appropriate solution that is scaled to the size of the problem. Because the cost of the 16 events requiring emergency actions are not known, and those actions effectively mitigated the problem, the record remains incomplete for deciding on a preferred approach to managing congestion. It is not clear from the Congestion White Paper that a method for estimating congestion costs has been formulated. As BPA proceeds with this forum, understanding the costs associated with the management of congestion is imperative.

Comments on BPA Approaches

The white paper presents five approaches to address increasing transmission congestion. City Light believes that BPA can develop an effective congestion management response through a combination of the five approaches. Generally, City Light favors an approach that is scaled to the size of the problem, and believes that a limited re-dispatch scheme may be an important component of any solution.

Approach 1, Curtailment with Enhancements, appears to be the most expeditious approach available to comply with reliability standards that has the lowest cost of implementation. Nevertheless, the approach is reactive and may result in ineffective and unfair curtailments if the method is not properly carried out. Under this approach, congestion costs are born by those who must redispatch their resources in response to physical curtailment of schedule. It is therefore extremely important that the physical curtailments be based on well-formulated methods of transmission network analysis. Consideration of contractual rights must also be used to rank the pool of transactions considered for curtailment. And if indeed such



curtailment actions avoid the need for – and cost of – new transmission infrastructure, consideration for allocating the resulting redispatch costs on a rolled-in basis should be considered.

Approach 2, Commercial Redispatch, addresses both the reliability and economic principles and objectives. While this sounds like an ideal solution, City Light cautions BPA against attempting implementing a “complex contractual, financial and settlement arrangements” absent a clear demonstration that managing congestion merits the expenditure required to implement such a solution. Simpler solutions that provide reliability redispatch through multilateral transactions may be preferred. Options for redispatch that address these concerns should be explored further.

Approach 3, Minimizing Congestion Proactively, may be the logical progression from Approach 1, however, tariff provisions that provide scheduling flexibility must be reconciled with the methods proposed. Both the cost of “retooling” scheduling systems and the loss of flexibility should be considered while this approach is evaluated.

Approach 4, Infrastructure Building, is a long-term solution that holds the greatest potential for providing a lasting solution to congestion problems. BPA should certainly ensure that infrastructure is adequate to meet all of its long-term contractual commitments, as the frequency of congestion events increases on particular paths. Going forward, assignment of benefits and costs needs closer attention.

Approach 5, Applying Non-wires Solutions, may hold some limited potential but operational protocols for invoking demand responses and compensation for those responses can become complex and must be known in order to further advance this approach.

Seattle City Light appreciates this opportunity to comment in this forum and looks forward to its further involvement in identifying approaches to manage transmission congestion.

Respectfully submitted,

SEATTLE CITY LIGHT

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